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BY HAND AND FAX

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ORIGINAL

March 15, 2005

Honorable Vernon A. Williams  
Surface Transportation Board  
1925 K Street, N.W.  
Washington, D.C. 20423-0001

ENTERED  
Office of Proceedings

MAR 16 2006

Part of  
Public Record

RE: STB Docket No. AB-1081X, San Pedro  
Railroad Operating Company, LLC-Abandonment  
Exemption-In Cochise County, AZ,

Dear Mr. Williams:

I am writing on behalf of San Pedro Railroad Operating Company ("SPROC"), in connection with the above-captioned proceeding. This afternoon I was surprised to receive a document from counsel for the Offeror, Sonora-Arizona International LLC ("Sonora"), entitled "Petition of Sonora-Arizona International LLC for Clarification and for Stay of Effective Date." The Board's rules on financial assistance proceedings merely contemplate either the filing of a statement that the parties have reached an agreement or the filing of a Petition to Set Terms and Conditions. 49 CFR 1152.27(f) and (g). This document is neither. To the extent that it is a *de facto* Petition to Set Terms and Conditions, it should be rejected for failure to include the requisite \$18,400 filing fee. The Board should not countenance Sonora's continuing efforts to delay these proceedings.

While SPROC reserves the right to file additional reply comments within five days as 49 CFR 1152.27(g)(1) provides, SPROC requests that the Board promptly issue a decision vacating the prior decision which postponed the effective date of the abandonment. 49 CFR 1152.27(g)(2).

As background, on February 17, 2006, the Board served an order finding Sonora-Arizona International LLC "financially responsible" and its offer to acquire the subject rail line for \$5,400,000 reasonable. The decision went onto postpone the effective date of the abandonment and to provide that if the parties could not reach agreement on the purchase price by March 15 and no party filed a request to set terms and conditions with the Board by that date, the Board would serve a decision vacating this decision and allowing the abandonment exemption to become effective.

Rather than commence prompt and meaningful negotiations between principals, Sonora persuaded the Board to impose a protective order prohibiting SPROC from negotiating directly with Sonora except through counsel. Sonora then scheduled a conference call for March 2 in which its counsel, its "front man" (Charles Sotello), and its putative chief financial officer, a Detroit area venture capitalist named Bruce Brogan, participated along with SPROC's David Parkinson and myself. In preparation for the call, SPROC asked Sonora to provide and Sonora agreed to provide such information about its financing by Monday March 6. But March 6 came and went as Sonora apparently declined to provide that information or reveal its "mystery investor."

Subsequently, SPROC offered to make its facilities and pertinent documents available for Sonora's inspection. To the best of this counsel's knowledge, Sonora never undertook this due diligence. Sonora promised to furnish SPROC what it called a "term sheet" by Tuesday March 7 and a draft of a purchase agreement by Friday March 10. Sonora furnished the "term sheet" one day late, on March 8, but never provided the draft purchase agreement. Upon receipt and review of Sonora's "term sheet", SPROC promptly replied stating its terms for the transaction. The next communication from Sonora came today in the form of this filing.

Essentially, Sonora premises its request for "clarification" of the scope of the abandonment and an extension for the period within which the parties could reach an agreement on two points. First, Sonora claims that SPROC decreased the amount of property subject to abandonment and the Offer of Financial Assistance provisions from 76.2 miles of track and right of way to

just 60.9 miles. Second, Sonora claims that SPROC increased the purchase price from \$5,400,000 to \$5,650,000. Neither is true.

Throughout its two efforts to abandon this line, SPROC had advised the Board that previous owners had abandoned and salvaged portions of the railroad, specifically the branch between Bisbee and Bisbee Jct., and the line between Paul Spur and Douglas. Petition for Exemption at 8, footnote 5. Deducting the Bisbee Branch and Douglas mileage reduces the total track mileage to 61.4 miles. The track appraisal prepared by Kenneth Young states that the railroad consists of 62.9 miles of main track and sidings between Curtiss (MP 7.0) and a point called Forrest (MP 67.9). Young appraisal at 1. The confidential salvage contract provided Sonora reflects 60.9 miles of track. Regarding right of way, SPROC's Environmental and Historic Report indicates that a 20-mile portion of the line consists of an easement over property owned by the Union Pacific Railroad. EHR at 11. Sonora cannot claim that SPROC has reduced the amount of railroad for sale. SPROC can only convey what it has, no more.

Regarding the purchase price, SPROC has consistently valued the line at \$5,650,000. The appraisal prepared by Kenneth Young valued the track material at \$5,400,000. Appraisal at ii. SPROC management valued the right of way at \$247,436 (rounded off to \$250,000) based upon 1265 acres of land held in fee at \$275 per acre. Verified Statement of David Parkinson at 9 and attached letter from Abbott Realty Ltd, Attachment 18. Sonora was free to contest those values and apparently chose not to do so.

In conclusion, Sonora had the opportunity to ask the Board to set the purchase price and terms by filing a petition along with the requisite filing fee or to file a letter accepting SPROC's amended term sheet. It chose to do neither. Moreover, to the extent that Sonora took the unusual step of asking the Board to stay these proceedings, it has not cited any precedent in support of such an unprecedented request, let alone the normal authority for granting administrative stays. The Board should reject its Petition for failure to comply with the Board's financial assistance rules and procedures.

Please date stamp and return one copy of this letter.

Sincerely yours,

A handwritten signature in dark ink, appearing to read 'John D. Heffner', with a long horizontal flourish extending to the right.

John D. Heffner

cc: David Parkinson  
All parties  
David Konschnik, Esq. (by fax)